

Commonwealth of Massachusetts  
Department of Telecommunications and Energy  
Arrearage Management Program  
Docket No: D.T.E. 05-86-H  
Department Staff's First Set of Information Requests

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**Request No. DTE 1-1**

Please provide an estimated monthly bill impact for each rate class that will be affected by the proposed Arrearage Management Program filed in DTE 05-86. The bill impacts should show the projected effect on customers bills of implementing the proposed Arrearage Management Program during the first, second, and third year that the program will be in effect. Supply all assumptions and calculations relied upon to develop and support these estimated bill impacts.

**Response:**

As indicated in its filing, Unitil proposes to handle the costs of implementation and operation of the program in accordance with standard regulatory and accounting practices with no special treatment. Costs of program operation will be treated as normal operating expense. Any customer arrears that are forgiven under this program will be accounted for in the same manner as customer arrears that are written off in accordance with the company's standard practices. The gas cost related bad debt will be collected and recovered on a reconciling basis through Unitil's Cost of Gas Adjustment Clause ("CGAC"). Unitil plans to seek recovery of electric supply related bad debt as a component of default service through its Default Service Costs Adder. The non-supply related portion of bad debt would be treated as a base rate cost and included in the distribution cost of service at the time of Unitil's next base rate proceeding, along with other program administrative costs.

For purposes of estimating monthly bill impacts, Unitil has estimated the annual level of write-offs associated with the program and apportioned the write-off between delivery and supply. As shown on DTE 1-1 Attachment 1, Unitil has assumed that the annual arrears forgiveness per participant will be \$300. Unitil's program provides for arrearage forgiveness of \$100 to \$600 per year per customer. Unitil has assumed that it will have 200 participants the first year, and then 200 incrementally in years 2 and 3. This assumption is based upon the number of fuel assistance customers of approximately 1800, assuming that less than half will respond. Then out of that pool a portion will qualify and only a portion will stay with the program. The write-off level is split 50/50 to Unitil's Gas and Electric Divisions assuming the customers are both gas and electric customers of Unitil. The write-off is then attributed to the delivery and supply components based on approximate bill split.

Unitil estimated the annual rate impact to the CGAC for its Gas Division and to its Default Service Costs Adder for its Electric Division by dividing the supply-related bad debt described above by estimated annual usage. The results are provided on DTE 1-1 Attachment 2. Class bill impacts are provided on DTE 1-1 Attachment 3.

Unitil has not estimated the impact on base rates due to the difficulty in calculating offsetting benefits, which would automatically be reflected in the distribution cost of

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service without isolation. For example, benefits may include reduced collection costs, shut-off costs, and cost of money. For 200 participants per year, the annual administrative cost is expected to be relatively small however. The annual cost of serving 200 customers would be \$12,500, assuming an applicant fee of \$50 and that 25% of the customers will receive additional counseling, also at a cost of \$50.

Program participants may see additional relief and lower bills as a result of participation in energy efficiency programs as well.

**Person Responsible:** Karen M. Asbury and Mark A. Lambert

**Date:** February 7, 2005